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Intellectual Ammunition

On State and Local Issues

Potshots

Nothing makes a person more productive than the last minute.

The first lesson of economics is scarcity. There is never enough of anything to satisfy all those who want it. The first lesson of politics is to disregard the first lesson of economics.

Thomas Sowell

If you steal from one person, it's plagiarism; if you steal from ten people, it's research; and if you steal from hundreds, you're a scholar.

Advice is what we ask for when we already know the answer but wish we didn't.

Erica Jong

Today, there are greater, more certain, and more immediate penalties in this country for serving up a single rotten hamburger than for furnishing a thousand children with a rotten education.

Former U.S. Secretary of Education William Bennett

Intellectual: A man educated beyond his intelligence.

Why does a slight tax increase cost you two hundred dollars and a substantial tax cut save you thirty cents?

Peg Bracken

Politics is the art of looking for trouble, finding it everywhere, diagnosing it incorrectly, and applying the wrong remedies.

Groucho Marx

The Global Privatization Revolution

by Robert W. Poole, Jr.

Privatization is an amazing phenomenon that is going on now in something like a hundred countries around the world. You can suggest many reasons why it's occurring now, but the most fundamental one is that governments are going broke.

Practically everywhere in the world, not just in Connecticut, not just in Los Angeles and New York City, but in Argentina and Mexico, governments have been spending more than they're bringing in. Governments have often committed to supplying services they are not very good at and that have run up against mountainous obligations of debt.

Government needs to rethink its essential functions and concentrate on those it does best. Services provided more efficiently by non-governmental entities need to be shifted away from government.

Privatization: Not Just for Conservatives Anymore

Although privatization is identified with conservatives like Ronald Reagan and Margaret Thatcher, that is not an accurate identification. Socialist governments in places like Spain and Sweden are actively privatizing state-owned industries. The biggest privatizers in Latin America are Mexico—run by the social-democratic government—and Argentina, a Peronist government and the biggest mover of free-market reforms and privatization the continent has ever seen. Labor governments in Australia and New Zealand have been revitalizing their economies by means of deregulation and large-scale privatization.

In the United States, Vice President Gore's national performance review, which talked about reinventing government at the federal level, endorsed competitive contracting of services for the federal government, and spinning off air traffic control to turn it into a user-financed company. The review cited New Zealand and Britain, two nations known as privatizers and deregulators, as models for their ideas for reinventing government.

We have big-city mayors—not only Republicans like Richard Riordan in Los Angeles and Rudolf Giuliani in New York, but Democrats like Richard Daley in Chicago and John Norquist in Milwaukee—who are actively promoting and implementing privatization.

Governments are realizing that they are overextended. Government has grown and gotten into all sorts of areas that it isn't really very good at. It has created multiple layers of bureaucracy, lots of regulations and red tape which, although designed to keep people honest and from wasting money, actually is very counterproductive.

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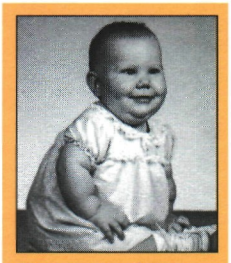

Diane Carol Bast
1960

News from the Heartland

by Joseph Bast
Publisher

A Privatization Explosion

Record numbers of elected officials across the country—both Democrats and Republicans—are embracing privatization as a way to reduce the cost and burden of government. A decade ago, privatization was considered a radical concept. Today, it is the centerpiece of state budgets in Michigan, Wisconsin, New Jersey, and Virginia—and an important component of every budget plan currently being considered in Washington.

This issue of *IA* features a cover article by noted privatization expert Robert W. Poole, Jr., president of the Reason Foundation. New Republican majorities in Congress and in statehouses and governors mansions, coupled with a sudden and dramatic increase in public demands for balanced budgets, lower taxes and more limited government, have triggered this renewed interest in privatization. "Government needs to rethink its essential functions and concentrate on those functions it does best," writes Poole. "Services provided more efficiently by non-governmental entities need to be shifted away from government."

You will find more information about privatization in John O'Leary and William Eggers's regular column on page 10, and also in the Research Reviews section beginning on page 13. Privatization will continue to be a hot issue in the months and years ahead. Our commitment at *IA* is to keep you on top of that debate.

IA's New Editor

Beginning with this issue, Lee Kessler takes over as editor of IA. He is excited about his new position and committed to delivering you the same quality publication you have come to expect from us. We wish Lee luck in his new role. (Let him know how he's doing by sending us a fax at 708/202-9799, or electronic mail at think@heartland.org.)

New Documents on PolicyFax

PolicyFax, The Heartland Institute's fax-on-demand public policy information service, is bigger and better than ever before! New documents from 42 of the country's leading think tanks have been added, making *PolicyFax* your most up-to-the-minute source of public policy commentary.

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PolicyFax is free for state legislators, their staffs, and reporters, so why not give it a try right now? Call anytime—*PolicyFax* is available 24 hours a day, seven days a week—and try requesting one of the new documents reviewed in this issue's Research Reviews section. For more information about *PolicyFax* and how to receive a free *PolicyFax* catalog, turn to the ad on page 15.

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continued from page 1

Privatizing Airports

Airports are a good place to begin a discussion of privatization.

Even in the United States, where we have mostly investor-owned utilities—electric, telephone, and gas companies—we still believe "government always runs the airports—it's a natural government function." But really it's just another utility that could be owned by investors.

> *In the United States, we still believe "government always runs the airports." But really it's just another utility that could be owned by investors.*

Britain started the ball rolling in 1987 by privatizing the British Airport Authority (BAA). Next time you fly into Heathrow or Gatwick, remember that you're flying into an investor-owned, very profitable airport. BAA is on the lookout worldwide to acquire other airports, and there are a number of other companies that are looking to do the same. Other countries, including Denmark, Germany, Argentina, Italy and Malaysia, also have plans underway to privatize airports.

Why should governments consider selling enterprises like the airports or municipal waterworks? There are several good reasons why that can make sense.

First, you replace political management with business management, which means the enterprise is likely to run more efficiently and effectively and be more responsive to its customers. Second, you are more likely to see market pricing being used in a privatized enterprise. If tolls are raised at rush hour, for example, people will carpool or use mass transit, which will encourage traffic to flow more smoothly at peak hours. Similarly, in areas where water is scarce, pricing it at market value will encourage more people to conserve water.

In addition, particularly in times of budgetary problems, governments benefit financially when they privatize. First, there is the one-time financial windfall that results from the sale of state enterprises. Government can use windfalls to pay off debt or make investments that it otherwise couldn't afford. Second, to the extent that these enterprises receive subsidies from taxpayers, you eliminate that drain on the treasury and thereby insulate taxpayers from bailing out shortfalls. Third, an enterprise that formerly was in the public sector and not paying taxes enters the tax base for the first time. That enterprise then must pay local property taxes, corporate income taxes and federal corporate income taxes.

Private financing also creates good potential for innovation. For example, the first private toll road in California, now under construction, will be the world's first toll road without toll booths. All of the tolls will be collected electronically. You'll drive onto the road at 55 miles per hour, and your toll tag will be read by electronic sensors in the highway. Each month you will receive an itemized bill that charges you based on your use of the tollway.

Part of the selling point of this road will be to guarantee that you can drive the speed limit at rush hour. To ensure that this always happens, the tollway's fee will vary automatically based on the amount of traffic on the road at any given time.

> *Private financing also creates good potential for innovation.*

Innovation in areas like highways, which have had virtually no innovation in forty or fifty years, is taking place in California—thanks to the private sector. That isn't to say the government couldn't innovate too, but if we had to make a prediction, given the constraints that operate on government relative to the constraints that operate on the private sector, it is clear which one is more likely to be innovative.

Contracting Out

Contracting out is another method of privatization most widely used at the state and local level. When government contracts out, it is still responsible for paying for services, but, instead of providing the services itself, government acts as a purchasing agent for the citizens. Rather than the sanitation department collecting garbage, for example, government goes into the market and requests a certain amount of sanitation service—once a week, twice a week—however often the people decide. Contractors bid and tell us how much they will charge. The local government can then pick the best package.

When government does that, remarkable things happen. They generally find lower costs and a greater responsiveness to what users need. Competition tends to concentrate the mind—like hanging. If you have the threat of not being in business next year, then you are going to work hard to figure out how to structure your work and adjust techniques to be sure you're cost-effective. That kind of incentive is not impossible, but hard to create in a public sector that faces no competition and has a guaranteed lock on the business forever.

Empirical studies done over the last 15 years show that privatization has resulted in real cost savings of 10 to 50 percent. We now see cities starting to institutionalize the competition process, which requires that a particular function be put out for a bid every few years. The private sector need not be the winner. Public-sector units are often allowed to compete, but only on a level playing field.

After a few years of the discipline imposed by competition, public-sector teams are starting to win in places where bidding has become institutionalized. Public-sector services figured out where to cut the fat out of their own operations. In a majority of cases, the private sector is still winning, but bidding could be a powerful force for invigorating and revitalizing the public sector itself.

In the last three years there has been a "privatization explosion" in the United States. This explosion has taken place particularly at the municipal level, and to a lesser extent, the state level. The fiscal stress of the recession, combined with the imbalance between government commitments to spending and its available revenues, has produced an unprecedented wave of interest in privatization.

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Robert W. Poole, Jr. is president of the Reason Foundation. This article is adapted from a speech delivered in September 1994 to a conference on privatization co-sponsored by Trinity College and the Yankee Institute.

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Uncovered

Robert V. Pambianco

The AARP: A Taxpayer-Financed, Nine-Hundred-Pound Guerilla

The American Association of Retired Persons (AARP)—with 33 million members and total revenues of $358 million—is the nation's second largest nonprofit organization, after the Catholic Church. AARP is perhaps the most influential political organization in America.

Last summer, when the outcome of the health care debate was still in doubt, AARP, the nine-hundred-pound guerrilla of nonprofitdom, announced its support for the health care bills offered by the then-Democratic leaders of Congress, Sen. George Mitchell of Maine and Rep. Richard Gephardt of Missouri. The response from many of AARP's members was outrage. The *Los Angeles Times* reported that angry members flooded AARP's switchboard, denouncing its endorsement of Clintoncare. As one irate member said, "It's just being ramrodded down our throats."

Much of AARP's revenue comes directly from the American taxpayer. In 1993, AARP received $85.9 million in federal taxpayer funds.

AARP had been burned once before by its too-hasty support in 1988 of a catastrophic health insurance bill that imposed a tax on seniors. Still, after testing the winds, the organization declined to resist what it thought was the likely winner in the health care debate. The *Times* quoted an AARP spokesman who was not fazed by the negative reactions; he reported his frustration in fielding calls from AARP members who were "too emotionally upset to engage in logical conversations."

AARP's casual dismissal of its members' interests signals the major changes occurring inside nonprofit member organizations. Because AARP's funding comes from sources other than its $8 membership dues, the organization increasingly balances the concerns of its members against its political calculation of who will win and lose in Washington. Much of its support comes from myriad profit-making enterprises. Through arrangements with private companies like Prudential and Hartford Insurance Group, AARP rakes in millions by promoting products and services, such as insurance, mutual funds, prescription drugs, travel services, and countless retail discounts. Alone, AARP's Group Health Insurance Program generated $86 million in 1992.

But that is only half the story. Much of AARP's revenue comes directly from the American taxpayer.

In 1993, AARP received $85.9 million in federal taxpayer funds. That represents 19 percent of a total $358 million the organization reported as income. Membership dues constituted only 41 percent of AARP's revenue.

AARP has become an adjunct to the new class elites who would organize government and nonprofit institutions to serve a larger political interest. AARP embraces the liberal agenda on everything from higher taxes to gun control. It opposes a balanced budget amendment.

Last year, the National Taxpayers Union Foundation published a report that analyzed the costs of all of AARP's policy prescriptions. "What Its Members Don't Know: How the AARP Agenda Would Bankrupt America" found that enacting all of AARP's agenda would increase annual federal spending by as much as $1 trillion over the coming decade. AARP's 1992 legislative agenda, *Toward a Just and Caring Society*, called for more than one hundred separate increases in spending and taxes, according to the report.

Out of Touch

AARP's support for federal spending programs and the widely unpopular health legislation only reinforced the perception that the organization is a Washington fixture out of touch with its members. As more than seventy congressmen wrote on August 11 to AARP Executive Director Horace Deets (salary: $286,000, according to the *St. Petersburg Times*), "America's largest lobby has apparently forgotten who it is they represent. America's seniors deserve better."

AARP did not formally survey its membership before coming out in favor of the Mitchell-Gephardt (i.e., Clinton II) plans. However, an informal AARP survey showed overwhelming opposition to the Clinton plan. Approximately twenty-five thousand AARP members filled out a coupon in AARP's October 1993 *Bulletin*, soliciting their reaction to Clinton's proposal. By AARP's own admission, "of those responding, 82 percent opposed the plan, while just 17 percent supported it." In the December 1993 *Bulletin*, AARP Research Director Constance Swank tried to put the best spin on the results, saying the respondents were "probably not a true cross of AARP membership."

AARP members may personally take advantage of the organization's many consumer benefits—indeed, those benefits account for AARP's huge membership. But, as the recent election shows, when AARP members respond as citizens, they express their exasperation with the organization's "leaders" who say one thing then do another.

Robert V. Pambianco is editor of *Organization Trends*, a publication of the Capital Research Center, 727 15th St. NW, Eighth Floor, Washington, DC 20005-1599; 202/393-2600 fax 202/393-2626.

CAPITAL RESEARCH CENTER

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Education

Joseph Walsh

Employers Have Given Up On Public Schools

A new survey, conducted last August and September and released this February, reveals an alarming employer lack of confidence in America's public schools. The survey, developed by the National Center on the Educational Quality of the Work Force at the University of Pennsylvania and produced for the federal Department of Education, is the first national survey ever done by the Census Bureau of hiring, training, and management practices in American business.

Employers conclude that

- one-fifth of American workers are not proficient in their jobs;
- schools and colleges may no longer have the ability to prepare young people for the workplace; and
- because of this lack of confidence in schools, employers tend to ignore grades and school evaluations and look more closely at an applicant's attitude, behavior, and job experience.

Many of the survey's findings worry experts, most notably the indications that employers are so disappointed in the public schools that they are severing ties with schools altogether. Said Nevzer Stacey at the Education Department's Office of Educational Research and Improvement. "Employers have given up on the schools, and by giving up, they've lost their ability to influence them."

The Problem is Systemic

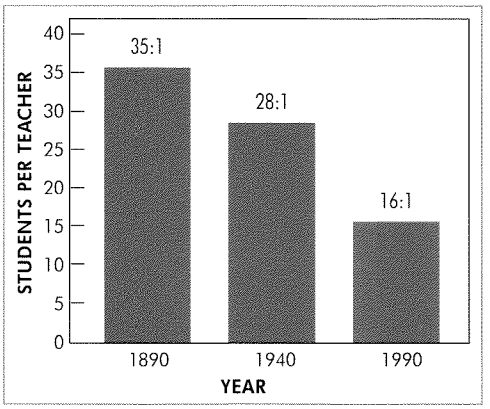
Leon Lederman, professor of science at the Illinois Institute of Technology in Chicago, is convinced that large school systems such as Chicago's simply cannot heal themselves.

We are still a nation at risk, writes Lederman in the January-February issue of *The Sciences*, referring to the highly-publicized 1983 report on our eroding educational system. In 1990, Lederman became so concerned about the dismal state of science and math education in our public schools that he became chairman of a private, nonprofit attempt to improve the quality of math and science teaching to students in Chicago schools, grades kindergarten through eight.

Lederman's project was supported and funded by over 14 universities, the U.S. Department of Energy, and the Illinois Department of Education. He has spent the past four years introducing 3,200 teachers to his program that strives to improve teachers' knowledge and teaching methods.

Lederman encountered a number of systemic problems along the way that were difficult to overcome. Many primary and secondary school math and science teachers couldn't pass math tests aimed at sixth graders. It was difficult to find staff of above-average quality. And most importantly, the central offices of educational systems, state regulators, and unions and bureaucracies create insurmountable obstacles toward injecting any meaningful reform into the public schools.

U.S. PUPIL/TEACHER RATIOS 1890-1990



Brookings Review, Fall 1994

Lederman is not optimistic that the Chicago public schools can fix themselves. Outside intervention from the private sector, he believes, is essential for true education reform.

Stark Reminders

Misguided educational reformers often equate the need for a stronger commitment to schooling and spending more money on schools. We therefore must remind ourselves that the country has been spending more and more the past thirty years while results have steadily fallen.

- Between 1960 and 1990, student performance on such tests as the SAT and the National Assessment of Educational Progress declined.
- Real (inflation-adjusted) public spending on education rose from just over $50 billion to $190 billion.
- Real per-student spending more than tripled—from $1,454 in 1960 to $4,622 in 1990.

It appears clear that money is not the answer. Further, the evidence clearly shows that reductions in class size do not translate to increases in student achievement (see chart).

Most states are beginning to react to these realities and look toward more substantive reforms that will inject accountability and competition into the school system—reforms such as privatization of services, charter schools, and various forms of educational choice.

CENTER FOR REBUILDING AMERICA'S SCHOOLS

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Environment

Jonathan H. Adler

Unfunded Mandates: Unfinished Business

One of the first achievements of the 104th Congress was the rapid passage of legislation to limit the imposition of unfunded federal mandates. A component of the Republican "Contract with America," this new legislation begins the process of restoring balance to the relationship between the federal government and state and local authorities. Many more reforms, however, are needed from Congress to truly lift the mandate millstone that burdens state and local governments.

The legislation to limit unfunded mandates was opposed by over one hundred left-liberal interest groups. Nonetheless, it passed by wide margins in both the House and Senate due to broad public sentiment that federal regulation has gotten out of control.

Due to the escalating costs of unfunded federal mandates, state and local officials are less able to provide for those government services, such as police and fire protection, that are most needed by local residents. Just this past fall, for example, the Environmental Protection Agency proposed increasing the national unfunded mandate burden by over $1 billion with a regulation to control the by-products of water disinfection. The EPA claims the rule will improve the safety of drinking water, though the scientific evidence is incredibly thin. In fact, there is some reason to believe that implementation of the rule could actually make water systems less safe by discouraging disinfection.

It was important that congressional leaders pass legislation controlling unfunded mandates, because state officials wanted assurances that passage of a balanced budget amendment to the Constitution would not force an explosion of new unfunded programs imposed by the federal government. Although the mandates bill does little to address the burdens under which state and local governments already must operate, it will limit the creation of new such mandates in the future. Unfunded mandates of $50 million or more will require explicit congressional authorization by a majority vote. That will increase accountability and help restrain the future growth of federal regulation.

Although such legislation is a positive first step, state and local governments should not be satisfied. Federal laws already impose undue burdens upon state and local governments in many areas. Major environmental statutes impose a particularly onerous burden. County governments expect to spend over $16 billion complying with environmental mandates between 1994 and 1998. In 1994, major cities spent over $3.5 billion implementing the Clean Water Act alone. It is estimated that unfunded mandates currently eat up over 10 percent of municipal budgets. This means that local spending decisions are increasingly made by bureaucrats in Washington, D.C., and not by the people whose lives such decisions will affect.

Unfunded mandates currently eat up over 10 percent of municipal budgets. This means that local spending decisions are increasingly made by bureaucrats in Washington, D.C., and not by the people whose lives such decisions will affect.

To truly address the unfunded mandate problem, Congress must address the myriad mandates that are already in place, as well as those that will continue to be imposed under preexisting statutes. Preventing new mandates may stop the hemorrhaging, but only eliminating them will cure the patient.

Not only should Congress allow lower levels of government more flexibility in meeting important social goals, but state and local governments need to have a greater say in determining local priorities. Giving state and local governments a marginally wider array of means to meet federal goals will not solve the current problems. Too often, officials in Washington presume that what is good for one part of the country must be good for the nation as a whole. The result is often a "one-size fits nobody" approach to public policy.

State and local governments need to have a greater say in determining local priorities.

Many environmental debates center around the question, "How clean is clean?" But the real question needs to be, "Who makes that determination, local communities or the Feds?"

CEI

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Health Care

Michael D. Tanner

Medical Savings Accounts: The Critics Are Wrong

As the movement for medical savings accounts picks up speed in Congress and state legislatures, critics of consumer-based health care reform are mounting a counterattack. But an examination of the evidence shows that their criticisms of medical savings accounts are just plain wrong.

False criticism #1

Health care has become so complex that consumers are not capable of making cost-conscious decisions about their treatment.

Studies show that health care consumers can and do make cost-conscious decisions when given a financial incentive to do so. For example, the RAND Corporation conducted a study of changes in people's health care decision making based on the size of the consumer's copayment. The study found that an individual who had to pay 50 percent of the cost of health care spent 25 percent less than an individual with no copayment.

Academic studies of consumer ability to make cost-conscious health care decisions are confirmed by real-world experience. Several companies have established MSA-style insurance plans and have realized significant savings as a result of changed consumer behavior by their workers. Among these are Golden Rule Insurance Company, Dominion Resources, Forbes Inc., Quaker Oats, and Indresco Corporation.

False criticism #2

Consumers will forgo necessary or preventive care to save the money in their medical savings accounts.

Analysts studying the Rand Health Insurance Experiment concluded, "We reject the hypothesis that less favorable coverage of outpatient services increases total expenditure . . . by deterring preventive care." Researchers found that the reduced expenditures were not caused by individuals forgoing truly necessary health care. Health outcomes were virtually identical. Rather, the savings resulted from a reduced utilization of optional services and cost-based selection among competing providers.

There is even evidence that medical savings accounts will increase the likelihood of seeking preventive care, particularly among low-wage earners. Under conventional insurance, individuals receive no reimbursement until they have met the deductible. That places all the spending disincentive on the first expenditures of the year—which are the ones most likely to involve preventive care.

Low-wage earners, who may lack the resources to pay for such expenses out-of-pocket, are particularly likely to forgo preventive care. But medical savings accounts provide consumers with an up front pool of money that can be used for preventive care.

False criticism #3

Medical savings accounts would attract the healthy, leaving the sick with conventional insurance. This "adverse selection" would drive up the cost of traditional insurance.

The experience of companies currently using MSA-style health plans has not demonstrated significant problems with adverse selection. At companies such as Golden Rule, employees with chronic illnesses have chosen medical savings accounts nearly as frequently as have healthy workers. The reason is that the copayments and deductibles under traditional insurance leave workers with chronic conditions to face significant expenses every year. Under such a traditional policy, a worker with a $250 deductible and a 20 percent copayment up to $3,000 and a chronic condition costing more than $15,000 per year can anticipate paying $3,250 out of pocket every year. With a medical savings account, however, the worker would have little or no out-of-pocket exposure.

But even if adverse selection did occur and increase the cost of low-deductible policies, it would not necessarily be a bad thing. It is traditional, low-deductible insurance that is driving up the cost of health care in the first place. If a majority of Americans were to purchase medical savings accounts with catastrophic coverage, health care costs would decline. The market will have provided a financial incentive for people to change their behavior in a socially beneficial way.

As the movement for medical savings accounts picks up speed in Congress and state legislatures, critics of consumer-based health care reform are mounting a counterattack. But an examination of the evidence shows that their criticisms of medical savings accounts are just plain wrong.

CATO INSTITUTE

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Law

Clint Bolick

Bean Counting and Quota Games, Clinton-Style

The Clinton administration has set its civil rights policies on a radical course permeated by race-consciousness, brazenly breaking candidate Bill Clinton's "new Democrat" assurances that he would pursue a politics of moderation and healing.

In his first two years Clinton has done nothing, absolutely nothing, to find common ground on race issues. Instead he has given over the entire federal civil rights apparatus to ideologues who cut their teeth in left-wing advocacy groups, unleashing them to pursue militant, in-your-face policies in areas touching the lives of every American.

After the election, Clinton righteously rebuffed demands for more appointments of women and minorities to his cabinet, denouncing his critics as "bean counters" who were "playing quota games." And when his first nominee for assistant attorney general for civil rights, former NAACP Legal Defense Fund lawyer Lani Guinier, was assailed for her radical views, Clinton withdrew the nomination.

But it turned out Guinier was no aberration, for Clinton's appointees to virtually every civil rights post bear the same activist pedigrees. The list reads like a roll call of establishment civil rights groups. Deval Patrick worked with Guinier at the NAACP Legal Defense Fund (LDF). Patrick plucked Kerry Scanlon from LDF's ranks for one deputy position, and for another chose Sabelle Pinzler, director of the American Civil Liberties Union's Women's Rights Project.

At the Equal Employment Opportunity Commission (EEOC), Clinton appointed as chairman former Air Force counsel Gilbert Casellas, who previously worked for the Puerto Rican Legal Defense and Education Fund. The other two new commissioners are Paul Igasaki, who served as executive director of the Asian Law Caucus; and Paul Miller, formerly litigation director for the Western Law Center for Disability Rights. The commission's legal counsel, Ellen Vargyas, toiled in the litigation vineyards for the National Women's Law Center.

At the Department of Education, Clinton named as assistant secretary for civil rights Norma Cantu, regional counsel for the Mexican-American Legal Defense and Education Fund. Roberta Achtenberg, assistant secretary for fair housing and equal opportunity at the Department of Housing and Urban Development (HUD), worked as executive director of the National Center for Lesbian Rights. And Clinton elevated as chairperson of the U.S. Commission on Civil Rights long-time commissioner Mary Frances Berry, who came to national attention in 1985 when she opined that "civil rights laws were not passed to give civil rights to all Americans," but only to "disfavored groups" such as "blacks, Hispanics, and women."

These appointments mark an historical milestone: for the first time, an entire area of federal policy—in this case civil rights—has been handed over wholesale to a special interest lobby.

These appointments mark an historical milestone: for the first time, an entire area of federal policy—in this case civil rights—has been handed over wholesale to a special interest lobby.

If Clinton somehow survives his civil rights policies, the reason will be the failure of Republicans to provide spirited opposition and a principled alternative. As historian Leonard Liggio sagely has observed, "Bad ideas always defeat no ideas." But Republicans can change the civil rights equation if they discover two simple but well-kept secrets:

1. "Affirmative action" resonates little among most disadvantaged minorities. Few low-income people have ever benefited, or are in a position to benefit, from most affirmative action or set-aside programs, which concentrate their benefits on individuals with substantial skills or connections.

2. Americans of all colors still share common values and aspirations. Low-income people want the same things as other Americans: safe neighborhoods; decent schools; opportunities to own a home, pursue work or business opportunities, and seek a better future.

Those two basic principles provide the antidote to Clinton on civil rights: a strong denunciation of divisive racial preferences coupled with progressive policies to empower disadvantaged individuals to earn a share of the American Dream. Our nation's moral claim is staked in its commitment to civil rights—those fundamental rights we all share equally as Americans. We can deliver on that promise only if we abandon our dangerous experiments in race-based policies, and embrace forthrightly the values and principles that unite us as a people.

Clint Bolick is litigation director at the Institute for Justice, 1001 Pennsylvania Avenue NW #22 South, Washington, DC 20004-2505; 202/457-4240, fax 202/457-8574.

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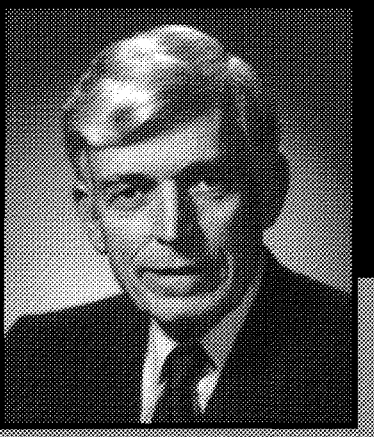

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Privatization

John O'Leary & William Eggers

Orange County, New York Airports Targeted for Privatization

The largest municipal bankruptcy in history, in California's Orange County, and the fiscal problems of New York City and State, have led to new proposals for airport privatization in those jurisdictions.

Orange County supervisors announced late in December that the John Wayne Airport, along with other county assets such as landfills, jails, and government office buildings, should be seriously considered as candidates for sale. Facing a loss of more than $2 billion of principal from the County's mismanaged pooled investment fund, the supervisors need to raise cash in addition to cutting operating costs.

On the East Coast, New York Mayor Rudolph Giuliani said he would explore selling LaGuardia and Kennedy airports to private investors.

On the East Coast, New York Mayor Rudolph Giuliani said he would explore selling LaGuardia and Kennedy airports to private investors. His position won the quick endorsement of incoming Governor George Pataki.

Virginia Report Calls for Competition, Downsizing

Soon after George Allen took office as governor of Virginia, he signed Executive Order Number One, establishing the Governor's Commission on Government Reform. On November 14, 1994, Blue Ribbon Strike Force Chairman Otis Brown released the Commission's final report to the governor.

The report "suggested major changes limiting the role of government in the lives of our citizens. Many of our proposals suggest radical transformation in the culture of Virginia government . . ." The report also called upon the state to "eliminate funding of non-essential state services."

Orange County supervisors announced late in December that the John Wayne Airport, along with other county assets such as landfills, jails, and government office buildings, should be seriously considered as candidates for sale.

Among the Commission's proposals was to establish a Competitive Council to "develop an institutional framework for a statewide competitive program" for state government.

New Jersey Report Says Privatization Could Save State $200 Million

In January, the New Jersey Advisory Commission on Privatization submitted a report to Governor Christine Todd Whitman that recommended the use of competitive contracting and privatization. The Commission's report, titled *Privatization and Competitive Contracting*, estimated that its suggestions could save New Jersey taxpayers $200 million a year.

Governor Whitman had created the Commission via Executive Order in April 1994. New Jersey faces a budget deficit of roughly $2 billion, and Whitman has indicated that she is open to the idea of privatization. The governor, however, did not endorse any of the specifics of the report.

The report calls for competitive contracting of food and health services at state prisons, a lease or management contract for Newark Airport, and private operation of state toll roads, including the Garden State Parkway.

According to the report, "The Commission believes that competition for the provision of government services will enable state and local governments to both cut costs and maintain or increase the quality or level of those services. This has been the experience of states and local governments across the country."

Recommendations for Privatization in Los Angeles

According to Competitive Contracting in Los Angeles, a new study by the Reason Foundation, the city of Los Angeles could save nearly $120 million annually by privatizing city services. The services targeted for privatization include: building maintenance, city golf courses, parking enforcement, trash collection, workers' compensation, and the city zoo. The study finds that some of the greatest cost savings would arise from the privatization of emergency medical services (EMS). It is estimated that EMS costs could decline by as much as 53 percent. Privatization of trash collection, moreover, would yield an estimated savings of 27 percent, or $42 million annually.

John O'Leary and William Eggers are privatization experts at the Reason Foundation, 3415 South Sepulveda Boulevard #400, Los Angeles, CA 90034; 310/391-2245, fax 310/391-4395.

Reason Foundation

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Taxes

Stephen Gold

Typical American Family Pays Forty Percent of Income in Taxes

Federal, state, and local taxes claimed 39.5 percent of the income earned by a median two-income family in 1994, according to the Tax Foundation's annual analysis of the typical American family's income. The median two-income family earned an estimated $53,354 in 1994, but after paying income taxes, social insurance taxes, property taxes, sales taxes, and other taxes, this family had just $34,728 to spend on all other goods and services after the government took its share.

The 39.5 percent in 1994 compares to a rate of 29.9 percent for the typical family in 1960. The primary difference, as the accompanying chart shows, is that social insurance taxes have increased dramatically.

The largest tax bite for the typical family comes from the federal social insurance payroll tax that is deducted from paychecks of both earners in the family. Working Americans may not realize how much social insurance tax they are paying because only half of the tax (7.65 percent) is visibly deducted from their paychecks. Employers are responsible for paying an additional 7.65 percent of each employee's pay to the government. Most economists believe that the effect of the employer's share of the tax is simply to reduce the gross pay of workers by the amount of the tax.

The Foundation analysis also shows that different family structures and other differences between taxpayers of the same income level may affect the tax burden.

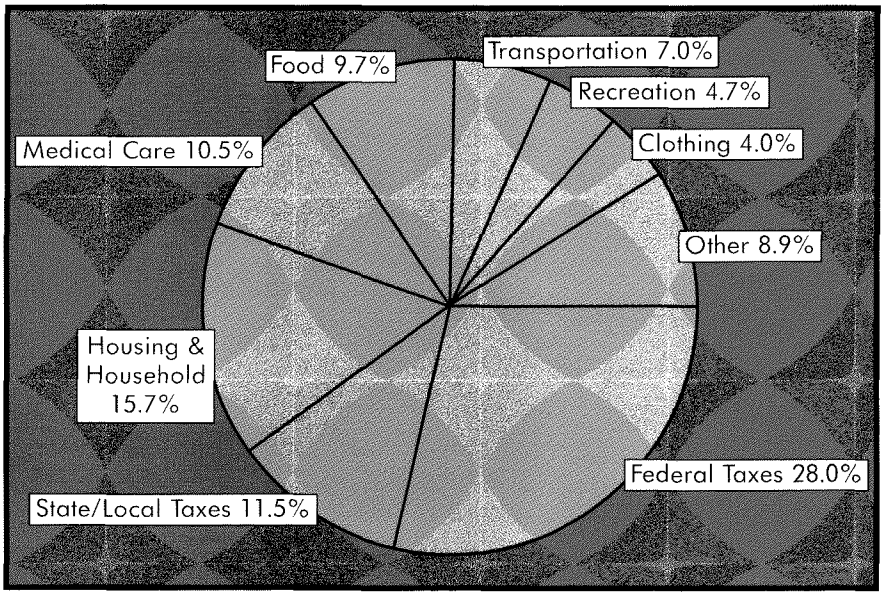
For example, an unmarried couple with one partner supporting two dependents and earning $30,000 (filing as a "head of household"), while the other partner earned $23,354 and filed as a single, would pay only $5,123 in federal income taxes on the same combined earnings of $53,354 (about $400 less than if married). This discrepancy is called the "marriage tax." Without children, the couple would face a higher income tax load. Their taxable income would have increased by $4,900 in 1994, and they would face an additional $1,268 in federal income taxes.

As the accompanying pie chart shows, taxes represent by far the largest component of the typical family's budget. The federal, state, and local tax bite is greater than the typical family's expenditures on housing, food, and clothing combined.

	Percent of Average Income	
	1960	1994
Federal Income tax:	8.6%	10.5%
Social Security:		
Employee portion:	2.5	7.6
Employer portion:	2.5	7.6
Other federal taxes:	7.9	4.4
Total federal taxes:	*21.4*	*28.0*
Total state/local taxes:	*8.5*	*11.5*
Total taxes:	**29.9%***	**39.5%***

*Total effective tax rate includes both shares of payroll tax, but adjusts for the fact that the employer's share doesn't come directly out of median income as presented.

A TYPICAL FAMILY'S EXPENSES, 1994



Tax Foundation, 1994

TAX FOUNDATION

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Welfare

Robert Rector & William Lauber

The War on Poverty Has Cost the United States over $5 Trillion

The financial cost of the War on Poverty has been enormous. Between 1964 and 1994, welfare spending has cost the taxpayers over $5.3 trillion in constant 1993 dollars. Of this $5.3 trillion, cash welfare programs have cost $1.3 trillion.

Medical programs assisting low-income persons have cost $2.1 trillion. Spending on food programs equaled $602 billion, while housing and energy aid programs for low-income children have cost $490 billion. Education programs for low-income children have cost $319 billion, and jobs and training programs have cost $215 billion. An additional $230 billion was spent on social services for the poor, and $172 billion has been spent on development aid for low-income communities.

A figure as high as $5.3 trillion is difficult to comprehend. To put that figure into perspective, consider that the United States' total cost of fighting World War II was $3.1 trillion (in constant 1993 dollars). Thus, after adjusting for inflation, the cost of the War on Poverty thus far has been some 70 percent greater than the price tag for defeating Germany and Japan in World War II.

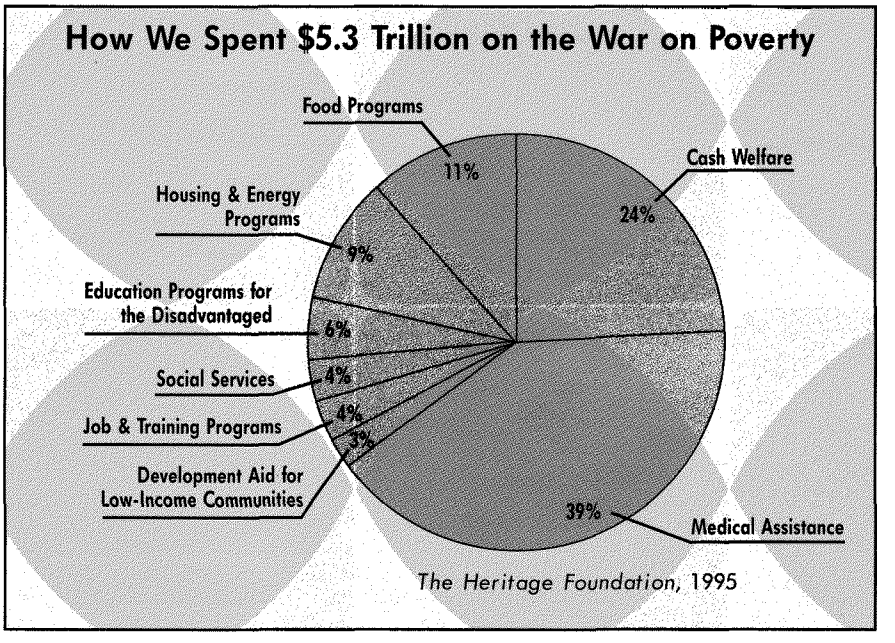
The total price tag for the War on Poverty nearly equals the entire cost of the private sector industrial and business infrastructure of the United States. For $5.3 trillion, one could purchase every factory, all the manufacturing equipment, and every office building in the United States. With the leftover funds, one could go on to purchase every airline, railroad, trucking firm, commercial maritime fleet, telephone, television and radio company, power company, hotel, and retail and wholesale store in the nation.

It is also interesting to note the total cost of the many peripheral programs that are often ignored in calculating the cost of welfare or the War on Poverty. For example, the $172 billion spent on urban and community development is nearly enough to buy the entire plant and equipment of every auto manufacturer, every airline, and every trucking company in the country.

The $445 billion price tag for job training and social services for low-income Americans would purchase all of the steel plants, all of the factories producing new industrial equipment, all the electronics manufacturing plants, all the furniture plants, and the entire commercial maritime fleet in the country. With the $440 billion that the government has spent in housing and energy aid, one could purchase the entire U.S. construction industry, all the hotels, and the entire chemical industry.

The high cost of the War on Poverty is not the only reason for the public's antipathy to the current welfare system. The public rightly perceives that the welfare system has been disastrous for those poor that the system was supposed to help. Despite spending $5.3 trillion, the fate of low-income Americans has become worse, not better, since the War on Poverty was launched.

In welfare, as in most other things, you get what you pay for. For the past thirty years, our welfare system has paid for non-work and non-marriage and has achieved massive increases in both. By undermining the work ethic and rewarding illegitimacy, the welfare system insidiously creates its own clientele. The more that is spent, the more people in apparent need of aid appear. The government is trapped in a vicious cycle in which spending generates illegitimacy and dependency, which in turn generates demands for even more welfare greater spending.



The Heritage Foundation

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RESEARCH REPORT

Summaries of Research on State and Local Public Policy

BUDGET • CIVIL RIGHTS • CRIME
ECONOMY • EDUCATION
ENVIRONMENT • FAMILY
GOVERNMENT • HEALTH CARE
HIGHER EDUCATION • HOUSING
LABOR • LAW • PHILANTHROPY
PRIVATIZATION • REGULATION
TAXES • TELECOMMUNICATIONS
TRADE • TRANSPORTATION • WELFARE

budget

Reinventing Government through Budget Cuts. Government can't be "reinvented" by tinkering with miniscule programs. *Three-step approach:* 1) Set bold principles for "reinventing government"; 2) Build constituencies for smaller government; and 3) Remove obstacles to saving taxpayers' money and reorganizing government. Specific proposals include: directly linking tax cuts to spending cuts; cutting regulatory spending to enhance competition, benefit consumers, and honor property rights; and privatizing social services. Scott A. Hodge, "A Budget Strategy to Reinvent the Federal Government," *Backgrounder*, January 16, 1995, The Heritage Foundation.

PolicyFax #0800401

The ABC's of Connecticut Spending Cuts. This analysis provides 26 suggestions for ways that Connecticut can reduce its budget. Proposals include eliminating the state's Office of Health Care Access, consolidating job training programs, and implementing a state spending cap. *Did you know* that by eliminating welfare payments to able-bodied General Assistance individuals, Connecticut could save $42 million in FY 1996? "Cutting State Spending A to Z," *Budget Watch*, February 1995, Connecticut Policy and Economic Council, Inc.

Just Say No to Stadium Subsidies. A call for the elimination of government subsidies to sports stadiums. "Fans must . . . realize that professional sports in America will still thrive without taxpayer subsidies, as they did in the past. Naturally, team owners will have to reallocate some resources toward capital investments. However, no one should weep for America's multi-billion dollar sports industry, nor its millionaire players." Raymond J. Keating, "Pro Sports on the Dole," *The Freeman*, February 1995, pp. 114-8.

crime

Guns Don't Kill, People Do. Many people point to mass murders as powerful examples of the need for stricter gun-control laws. But do you recall a 1991 incident where two gunmen entered an Alabama Shoney's and held the restaurant's employees and customers hostage? Probably not, because Glen Tarry, a courageous citizen who was legally armed under Alabama law, fatally shot both outlaws and saved the lives of everyone in the room. "To remove guns from law-abiding citizens presumes that guns are to blame for violent crime, and shifts responsibility from the individual to an object." Catherine Farmer, "Self-Control, Not Gun Control," *The Freeman*, February 1995, pp. 105-6.

Taking a Bite Out of Crime. Current Republican crime bills being considered in Congress only tinker with the problem and don't go nearly far enough. "The new Congress should decentralize decisions on crime. It can do so by repealing both the entire Clinton Crime Control Act of 1994 and the Brady Gun Control Law. Then it should repeal the federal habeas corpus procedure, subsidies for death penalty appeal centers and the legal authority for state prisoners to pursue law suits willy nilly in federal courts." Morgan O. Reynolds, "Me Too Crime Reform," *Brief Analysis*, February 16, 1995, National Center for Policy Analysis.

PolicyFax #1300101

Did you know that you are less likely to be assaulted, raped, robbed, burglarized or murdered today than you were in 1980—unless you are a minority resident of an urban neighborhood? **National Center for Policy Analysis, January 1995.**

PolicyFax #1300102

economy

Mexican Bailout Is Expensive and Unwise. Since December 19, 1994, the Clinton Administration's Mexican bailout package has swelled to $58 billion, but that money will do nothing to fix the problems—stemming from a state-controlled economy—that damaged Mexico's economy in the first place. *A better solution:* 1) convince the Mexican people and the world that President Zedillo can lead Mexico out of their crisis; 2) replace the Bank of Mexico with a Currency Board; 3) be more aggressive in privatizing state-owned monopolies; 4) overhaul Mexico's tax system; 5) abolish the economic and social stabilization pacts; and 6) privatize Mexico's social security system. John P. Sweeney, "The Bailout of Mexico: A Costly Mistake?" *Backgrounder*, January 25, 1995, The Heritage Foundation.

education

New from the Michigan Education Association: "Signals that Warn of a Far Right Presence"

- Unexpected classroom visits by parents
- Increased attendance by same/similar groups of parents at local school board meetings
- Demands for copies of documents and records under Freedom of Information Act
- Unreasonable demands from parents to be involved in curriculum decisions
- Complaints about school employees, textbooks/library book selections, or curriculum voiced on local talk shows or expressed in letters to the editor

***The Blum Center's Educational Freedom Report*, February 1995.**

Considering Private-Practice Teaching. Private-practice teachers are professional educators who provide their services to schools or other entities on a limited contract basis. Contracting with a private-practice educator can help school administrators strengthen accountability, cut costs, and increase flexibility. This study includes six case studies of successful implementations of private-practice teaching. Janet

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R. Beales, "Teacher, Inc.: A Private-Practice Option for Educators," *Better Government Competition: 1994 Winners' Business Plans*, Cascade Policy Institute.

PolicyFax #2180403

Eliminating the NEA's Education Monopoly. In recent years the National Education Association has paid more attention to politics than education; in the 1994 election cycle, NEA's PAC contributed $4.4 million—98.7 percent of that to Democrats. But huge Republican victories around the country might mean the beginning of the end for the NEA. Among the suggested reforms to destroy the NEA's stranglehold on our schools: 1) pass right to work legislation; 2) end the property tax exemption for NEA headquarters; 3) end taxpayer funding of retirement benefits for union staff; 4) end teacher tenure and allow merit pay; and 5) abolish the U.S. Department of Education. Peter Brimelow and Leslie Spencer, "Comeuppance," *Forbes*, February 13, 1995, pp. 121-7.

> Approximately nine hundred teachers throughout the nation are threatened with bodily harm, and nearly forty teachers are physically attacked, each hour of the school day. Some 160,000 students miss school daily because of intimidation or fear of bodily harm. ***Baltimore Sun*, January 15, 1993.**

What to Do about the Schools. Everyone knows that America's schools are faltering. A 1992 survey of adult literacy reveals that just 11 percent of U.S. high-school graduates could accurately restate in writing the main point of a newspaper article. There are no "magic bullet" solutions to this crisis, but six key reforms will help: 1) shift power from education producers to education consumers; 2) raise standards; 3) make schools accountable; 4) encourage diversity in educational practices; 5) implement school choice programs; and 6) treat teachers as professionals, not hired hands. Chester E. Finn, Jr., "What to Do about the Schools," November 1994, Center of the American Experiment.

environment

America's Forests Aren't Shrinking. It has become commonplace, even fashionable, to blame deforestation on industry's rise. Yet private forest lands have accounted for 85 percent of total tree planting and seeding in the U.S. in recent years. The forests of the Northern Hemispheric industrial countries have been steadily expanding for decades while continuing to provide nearly 75 percent of the world's industrial wood production. Roger A. Sedjo, "The World's Forests: Conflicting Signals," *Progress and the Planet*, February 1995, Competitive Enterprise Institute.

PolicyFax #2316301

> "Democrats will [charge] that the GOP's common-sense regulatory reforms will somehow lead to a nation of Love Canals and the extinction of the bald eagle. That's why Republicans must aggressively counterattack with a market-based limited government environmental agenda that achieves the same or better environmental protection without costing jobs or limiting individual freedoms." ***The Wall Street Journal*, January 23, 1995.**

An Environmental Agenda for Legislators. Some of the nation's leading environmental scholars provide a commonsense agenda for legislators. *Endangered Species:* The federal government should compensate private landowners when it imposes habitat management rules that reduce the land's value. *Clean Water:* Water quality standards should be set locally. The study also addresses grazing, *farm subsidies, timber management, and* more. Terry Anderson, ed. "Reinventing Environmentalism in the New Era," *PERC Policy Series* PS-2, February 1995, Political Economy Research Center.

PolicyFax #2300301

Natural Resources Are *Increasing.* In the 1960s and 70s many experts were forecasting increasing natural resource scarcity and rising commodity prices. Yet the experts were wrong in virtually every respect. Today natural resources are half as expensive as they were in 1980, three times less expensive than they were fifty years ago, and eight times less expensive than in 1900. Stephen Moore, "The Coming Age of Abundance: The Declining Scarcity of Natural Resources," *Progress and the Planet*, February 1995, Competitive Enterprise Institute.

PolicyFax #2373301

Regulations Can Amount to Takings. Brandt Child of Moab, Utah, hoped to develop campgrounds and a golf course on his property. The federal government used the Endangered Species Act to block his plans because the rare Kanab ambersnail resided in some of the springs on his land. But although the government ordered Child to leave his property in its original condition, the government refused to compensate him for his loss. Congress will soon consider—and ought to pass—legislation that would require compensation for regulatory takings. Kent Jeffreys, "Guide to Regulatory Reform: The Compensation for Takings Rule," *Brief Analysis*, February 16, 1995, National Center for Policy Analysis.

PolicyFax #2366104

Risk Assessment Needs to Be a Priority. EPA has made a habit of encouraging environmental regulations with no consideration of risk or cost. In 1991, for example, Columbus, Ohio was forced by the Environmental Protection Agency to spend over $160 million out of its total budget of $591 million to remove the herbicide atrazine from its water—even though under new federal regulations a person would have to drink two liters of this water every day for seventy years to have a one-in-a-million chance of getting cancer! "Federal Risk Assessment Delivers Low Doses of Reliability," *Citizen Outlook*, January/February 1995. Contact the Committee for a Constructive Tomorrow, PO Box 65722, Washington, DC 20035, 202/429-2737.

PolicyFax #2313105

> **Clean But Expensive Water.** According to the U.S. Conference of Mayors, the Clean Water Act cost cities with populations greater than thirty thousand more than $3.6 billion in 1993 alone.

The Cost-Benefit Rule to Regulatory Reform. Critics of cost-benefit analysis argue the idea is unfounded because one cannot place a dollar value on a human life. But cost-benefit analysis permits us to rank risks to make sure we are spending our money as wisely as possible. Kent Jeffreys, "Guide to Regulatory

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Reform: The Cost-Benefit Rule," *Brief Analysis*, January 31, 1995, National Center for Policy Analysis. ***PolicyFax #2313106***

The Search for Environmental Racism. Proponents of the environmental racism theory maintain that minorities and the poor are disproportionally likely to live in the vicinity of environmentally hazardous areas. But the evidence for this view appears to be tenuous. *Fact*: Researchers from the University of Massachusetts found that areas containing hazardous waste facilities are no more likely than are other areas to have higher than average percentages of blacks or Hispanics. "Environmental Racism?" *Brief Analysis*, January 16, 1995, National Center for Policy Analysis. ***PolicyFax #2325101***

Trashing Advance Disposal Fees. Advance disposal fees (ADFs) are fees on packaging, designed to reduce litter and encourage recycling. Florida has already imposed ADFs, and eight other states are considering the idea. Although ADFs raise consumer costs, their benefits don't appear to justify the added expense. The Reason Foundation has prepared this series of talking points responding to ADF advocates and questioning the need for such programs. "Advance Disposal Fees," *Issue Alert*, September 26, 1994, Reason Foundation. ***PolicyFax #2377401***

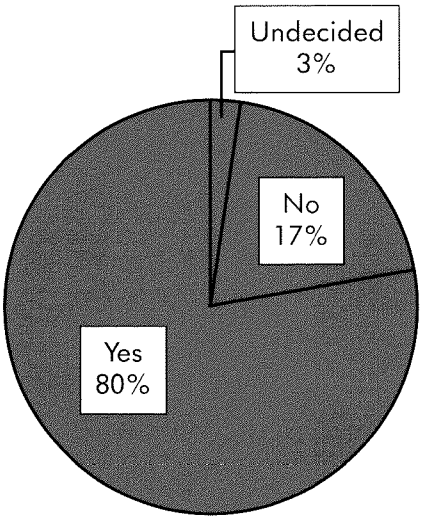
family

Kids Need Two-Parent Families. Children and adults in two-parent homes "are healthier, both physically and mentally, show greater educational attainment, foster less illegitimacy (thus creating stronger families in succeeding generations), experience less poverty, and commit fewer crimes." One study reveals that the predicted risk of injury was 20 to 30 percent greater for children from disrupted marriages than for other children. Glenn T. Stanton, "Twice as Strong: The Undeniable Advantages of Raising Children in a Traditional Two-Parent Family," *A Matter of Facts Report*, January 25, 1995. Contact Focus on the Family, P.O. Box 35500, Colorado Springs, CO 80935-3550.

Making Adoption Easier. Two reform proposals currently being considered by Congress are good ideas that would make adoption easier and thus strengthen families. A recent Family Research Council survey of one thousand Americans found that, by a margin of three to one, respondents favor efforts "to make it easier for children born out-of-wedlock to be adopted." Gracie Hsu, "Adopting Adoption Reform," *Insight*, Family Research Council.

Transforming America's Culture. Former Secretary of Education and best-selling author of *The Book of Virtues* William Bennett ponders what's wrong with America and how we can fix it. Among his suggestions: empower local communities; encourage self-reliance; and restore the institutions of marriage, fatherhood, and family to their rightful places. William J. Bennett, "A Strategy for Transforming America's Culture," *The Madisonian Journal*, Summer/Fall 1994, The James Madison Institute for Public Policy Studies. ***PolicyFax #9900103***

Are Congressional Term Limits a Good Idea?



ABC News/Washington Post, November 1993

government

Closing Obsolete Government Agencies. In these times of fiscal austerity, the federal government should take a close look at government agencies and eliminate those that: 1) have programs replicated elsewhere; 2) can be run more efficiently through consolidation; 3) can no longer be justified in an era of competing needs and limited resources; and 4) are of regional rather than national interest. Such an approach alone would save an estimated $10.6 billion over the next five years. Ronald D. Utt, Ph.D., "Closing Unneeded and Obsolete Independent Government Agencies," *Backgrounder*, January 25, 1995, The Heritage Foundation.

Congress Should Devolve Public Lands to the States. The federal government owns almost 30 percent of the U.S., most of it in the West (Nevada, for example, is 83 percent federally owned). If Congress truly is serious about devolving major federal responsibilities to the states, then it should transfer the nation's public lands to them. That would not only save taxpayers a great deal of money; it would help restore the balance of federal power to its rightful place. Robert H. Nelson, "Federal Imperialism," *Forbes*, February 13, 1995, p. 65.

How to Rescue Orange County from Bankruptcy. The Reason Foundation has developed a plan to rescue the bankrupt Orange County *without raising taxes*. The plan includes a combination of asset sales, workforce reduction, and the outsourcing of County services. *For example:* Outsourcing animal shelters, fleet maintenance, food services, janitorial services, jail operations, paramedics, and fire protection would save Orange County $60 million per year. "Rescuing Orange County," February 15, 1995, Reason Foundation.

How States Are Fighting Unfunded Mandates. Unfunded mandates threaten to disrupt the delicate Constitutional balance between the federal government and the states—and bankrupt state and local governments besides. Aurora, Colorado, for example, calculates that it will have to repair some 28,000 curbs in order to comply with the 1990 Americans with Disabilities Act. Thomas Atwood and Chris West, "Home Rule: How States Are Fighting Unfunded Federal Mandates," *State Backgrounder*, December 28, 1994, The Heritage Foundation.

Incumbents Bend Rules. Federal statute requires that members of the House of Representatives send no unsolicited mass mailings exceeding five hundred pieces in the sixty days prior to any election. Yet many members violated the spirit if not the letter of this law, intended to limit the ability of incumbents to promote themselves to constituents prior to their election. *Did you know:* Fifteen members of Congress sent out more than a quarter mil-

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lion pieces of mail in the seven days prior to the deadline. Combined Congress sent out 4.6 million pieces of mail during those seven days at a cost to taxpayers of $598,693. *Policy Paper No. 11*, February 13, 1995, National Taxpayers Union Foundation.

Newt Likes 12-Year Term Limits, Not Six. Americans overwhelmingly support the idea of congressional term limits of 12 years in the Senate, six years in the House. But many members of Congress, including Speaker Newt Gingrich, are leading the charge for 12-year limits in both chambers. That is unfortunate because real term limits—not minicareers—may encourage new people and ideas in government, and may lead to policy based on principle rather than on concerns about reelection. James Bond, "Temporizing on Term Limits: The Speaker Likes 12 Years, Not 6," *Briefing Paper*, February 7, 1995, Cato Institute.

PolicyFax #2880402

Time for Term Limits. A 1993 ABC News/*Washington Post* poll revealed that 80 percent of Americans favor the idea of congressional term limits. Yet when congressional staff, government bureaucrats, and lobbyists were polled, nearly 85 percent opposed the idea. "This book should be considered a manual for term limits activists all over the country," write Governors Joan Finney (D-Kansas) and William Weld (R-Mass.). John Armor, *Why Term Limits? Because They Have It Coming!* (Ottawa, IL: Jameson Books, 1994).

health care

A New Look at Health Care Reform. Health care reform is difficult to achieve—and although the free market isn't the perfect solution to the problem, it at least appears to be the least imperfect. Noted scholar Murray Weidenbaum looks at the differences between market reforms and "single-payer" health care plans. Murray Weidenbaum, "A New Look at Health Care Reform," *Occasional Paper* 148, February 1995, Center for the Study of American Business.

AMA: MSAs are A.O.K. The American Medical Association endorses Medical Savings Accounts. MSAs, argues the AMA, "are the best approach to strengthening the market for medical care by giving patients the opportunity to choose to be more involved in their medical care choices and decisions." Among the benefits of MSAs: they give people an incentive to keep their medical costs down, preserve patient choice, and improve doctor-patient relationships. "Medical Savings Accounts: Why the American Medical Association Supports Medical Savings Accounts," *A Summary of American Medical Association Policy*, November 1994. Contact the American Medical Association, Center for Health Policy Research, 315 North State Street, Chicago, IL 60610, 312/464-5000.

Fixing Health Care through Market Forces. Why are U.S. health care costs so high? There are three reasons: 1) medical bills are paid by third parties; 2) high-technology medicine is expensive; and 3) America suffers from high rates of teen pregnancies (which are more likely to end in premature births) and violence. *The solution?* Reintroduce health care to mar-

A Private Social Security?

By William T. Wilson

No wonder a recent survey found that more Americans believe in UFOs than believe that Social Security will be there for them in retirement. Young adults in particular are paying more into the system than any previous generation—and they may get little or nothing back when they retire.

Back in the 1930s, when Social Security was founded, the most anyone was forced to pay in a year was $30 (1 percent on income up to $3,000). The average worker today pays almost one hundred times that much—7.65 percent on income up to $61,200. These rates and income ceilings are being jacked upward regularly, and they must be matched by employer dollars, all of which stifles job creation and drains more and more capital out of our economy.

Social Security is built on a pay-as-you-go system. Benefits to the elderly are tied not to what they paid in, but to taxes on younger workers. The health of the system, therefore, depends upon the ratio of workers to retirees. In 1935, this ratio was 55 to 1. As eligibility expanded and life expectancies lengthened, the ratio declined from about 7 to 1 in 1950 to below 3 to 1 today. The government says this ratio will be less than 2 to 1 by 2030, which means that each retiree will have to be supported by fewer than two active workers!

The pay-as-you-go system and the falling worker-retiree ratio are already eating away at the system's fiscal integrity. True, Social Security ran a surplus of more than $40 billion in 1994. But two of its trust funds—disability insurance and hospitalization insurance—will both be losing money in five years. What's worse, the government's actuaries now say that in the absence of major changes, the whole system will be bankrupt long before today's twenty-year-olds reach retirement.

For the sake of our young workers we need to take steps now to fix the problem. Reducing benefits to current recipients or at least to those nearing the retirement age would allow a surplus to emerge, making it possible to finance the retirement of the baby-boomers early in the next century. Most nations of the Pacific Rim have avoided the pitfalls of our pay-as-you-go system by tying retirees' benefits to their own contributions, an idea we seriously should consider.

Better yet, the major problems with Social Security could be solved by privatizing the entire system. Fourteen years ago, Chile was experiencing precisely the same problems with its system as we are facing with ours today. In one of the most successful public policy reversals in the world, now a model for other nations, Chile privatized retirement security. Under the new system, workers contribute a portion of their earnings to approved, private funds that compete with each other for the right to manage individual accounts.

The Chilean plan has proven to be wildly popular because workers are ending up with more than the old system ever promised them, and the economy has benefited because of increased private investment. During a phase-in period in which participation was voluntary, over 90 percent of Chileans opted out of the old system in favor of the new. Their payments to the old system were reimbursed in the form of government bonds. This privatized arrangement is relatively immune to political pressures and ties benefits to contributions, making it vastly more sound than a government-run arrangement.

The time remaining to fix the Social Security problem is dwindling. In the next decade or two we have a choice. We can either extend the American dream to our sons and daughters or we can hand them what they will call the American nightmare: sky-high Social Security taxes for a retirement pittance.

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ket forces. Thanks to its Medical Savings Account plan, for example, the Richmond, Virginia-based company, Dominion Resources has seen no health insurance premium increases since 1989. J. Patrick Rooney, "Health Care: Markets vs. Mandates," *Issue Analysis*, Georgia Public Policy Foundation.

Reforming Health Care with Medical Savings Accounts. Medical Savings Accounts (MSAs) are a promising alternative to such health care reform ideas as managed competition and single-payer. This study evaluates MSAs through case studies and concludes that MSAs work to slash health care costs without any adverse effects on patients' health. Robert Cihak, M.D., "MSAs Break Health Care Reform Logjam," *In Brief*, January 11, 1995, Evergreen Freedom Foundation.

Shed Four Tiers for Canadian Health Care. Many people point to Canada as a model for American health care reform. But as this essay indicates, the Canadian system is far from ideal. Did you know, for example, that Canadians with incomes of over $60,000 are half as likely to wait for care as are other Canadians? A powerful argument for health care competition in Canada—as well as in the United States. Michael Walker, "A Tale of Two Two-Tiers," *Fraser Forum*, January 1995, The Fraser Institute.

Spend Less on Hospitals, More on Drugs. In the U.S. the average patient pays only 4.5 cents out of every dollar they spend on hospitals, but they pay 68 cents of every dollar they spend on pharmaceuticals. Thus, to patients, hospital-based therapies may appear cheaper than drug therapies, even though the opposite is true for society as a whole. Greater use of pharmaceuticals could bring down health care costs, but our system of third-party health care financing stands in the way. "The Role of Pharmaceuticals in Health Care Reform," *Brief Analysis*, February 27, 1995, National Center for Policy Analysis.

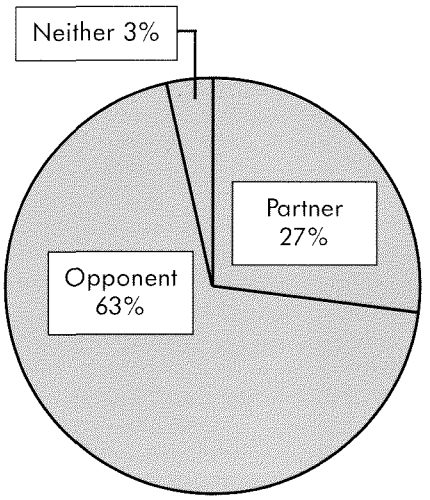
Washington State's 1993 Health Services Act Has Flaws. In 1993 Washington State passed the Health Services Act, which many touted as the prototype for President Clinton's national reform. But, according to this report, health care will be more expensive, personal privacy will be at risk as medical records become state property, Washingtonians won't be able to choose their own doctors, and quotas will limit who will be able to attend medical school, among other problems. Dr. Michael Schlitt, "What You May Not Have Known about the New Health Care Law," *Policy Brief*, December 1994, Washington Institute for Policy Studies. ***PolicyFax #3272405***

labor

"Right to Work" Works in Idaho. In 1986 Idaho voters approved a Right to Work law allowing employees to choose for themselves whether to support a union. Since then the state has enjoyed a seven-year economic boom that many experts attribute to the law's passage. Between 1987 and 1993, non-farm employment in Idaho increased by 30.7 percent, as opposed to only 1.4 percent between 1980 and 1986, before the Right to Work law went into effect. "Case Study: Idaho—Economic Development and Right to Work," January 6, 1995. Contact the National Institute for Labor Relations Research, 8001 Braddock Road #510, Springfield, VA 22160, 703/321-9606. ***PolicyFax #2200401***

Ninety percent of American economists surveyed by the American Economics Association in 1992 agreed that raising the minimum wage increases unemployment among young and unskilled workers. **House Republican Conference, February 3, 1995.**

Do you consider the federal government to be more a partner or an opponent in your pursuit of the American Dream?



The Luntz Research Companies, 1994

law

Precarious Private Property Rights. Did you hear the one about the doctor who owned property in southwest Washington State? He was initially told by regulators he wasn't allowed to trim trees from the banks of a stream that regularly flooded because that might lead to sunburned fish. Whatever happened to property rights in America? This paper examines that question. Linda Woodruff Matson, "Property Rights and Policy Wrongs: How Individual Freedoms Have Been Eroded," February 17, 1995, Washington Institute for Policy Studies.

The Propriety of Property Rights. Jonathan H. Adler, associate director for environmental studies at the Competitive Enterprise Institute (and contributing editor for *IA*) has compiled this collection of readings on one of our most fundamental rights: private property. This volume pays special attention to the effects of environmental policy on property rights. *Did you know:* Democratic pollster Celinda Lake told the *Times-Picayune* that 80 percent of Americans consider themselves to be environmentalists, while 66 percent of Americans think property rights are not protected adequately under current law." Jonathan H. Adler, ed., "Property Rights Reader," January 1995, Competitive Enterprise Institute.

What the States Have Done to Protect Property Rights. This study examines recent state efforts to pass legislation protecting property rights. *Point:* Takings bills threaten the environment. *Counterpoint:* A state may impose environmental regulations under its police power or under the law of nuisance, whether the state passes property rights legislation or not. Hertha L. Lund, "Property Rights Legislation in the States," *PERC Policy Series*, January 1995, Political Economy Research Center. ***PolicyFax #2366402***

privatization

"Pay-as-You-Throw" Garbage Collection. Municipalities across the country are experimenting with weight-based refuse collection—

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charging consumers based on the amount of garbage they generate. Mendham Township, New Jersey, for example, reduced its annual, tax-funded costs per household by half, increased recycling by 83 percent, and decreased disposal tonnage by 55 percent. Lisa A. Skumatz, Ph.D., Hans Van Dusen, and Jennie Carton, "Garbage by the Pound: On the Streets," *Policy Study* No. 184, January 1995, Reason Foundation.

How to Privatize Airports. This new report details the specific steps for a successful airport privatization effort. *Fact:* In 1977 the Westchester County (New York) government decided to contract out management of its airport after the airport was facing large operating deficits of nearly $250,000 per year. Since then the airport has become solidly profitable, with a net income of up to $3 million per year, and has also received several major airport improvements. Robert W. Poole, "Guidelines for Airport Privatization," *How-to Guide No. 13*, October 1994, Reason Foundation.

Privatization Made Easy. Over the past decade, Australia, Britain, France, Germany, Italy, New Zealand and other countries around the world have privatized nearly $500 billion of state-owned enterprises. Now it's time for the United States to follow their lead. *First step:* Sell off federal enterprises and assets, such as Amtrak, the U.S. Postal Service, and the Tennessee Valley Authority. Robert W. Poole, "The Asset Test: A Privatization Agenda," *Reason*, February 1995, pp. 34-36.

States Experiment with Private Tollways. California and Virginia are experimenting with a new idea: private sector toll roads. "As a kind of limiting device [on California's toll road], programmable toll rate signs at the entryway to the express lanes will be changed often as traffic on the tollway waxes and wanes. During the rush hour, driving it may cost $2.50, and in off-hours as little as 25 cents." Commuters won't even have to stop for tolls; motorists will receive regular bills for amounts based on usage measured by sensors in the road. Peter Samuel, "Bringing Back the Turnpikes," *Forbes*, January 16, 1995, pp. 57-59.

regulation

Federalism Good Guide for Regulatory Reform. The Constitution's Ninth and Tenth Amendments assert the sovereignty of the individual and the states. Yet the federal government frequently ignores the principle of federalism. Environmental regulations such as Superfund and the Clean Water Act presume that a clean environment is a federal, not a state and local, responsibility. And unfunded federal mandates are costing state and local governments millions; in Columbus, Ohio, for example, the growing costs of compliance with environmental regulations are expected to consume 23 percent of the city's budget in the year 2000. Kent Jeffreys, "Guide to Regulatory Reform: The Federalism Rule," *Brief Analysis*, January 31, 1995, National Center for Policy Analysis. ***PolicyFax #2366105***

No More Regulations. In 1993 the departing Bush Administration estimated that regulation cost the economy $542 billion in 1991 and that the cost would increase to $662 billion by the year 2000. Yet the Clinton Administration's November 1994 regulatory agenda indicates plans to issue 872 final rules in the upcoming

Local Governments Are Trashing Privatization

By Kelly McCutchen

The Atlanta Housing Authority has found a way to save $700,000 per year by privatizing its garbage collection services, according to a recent article in the *Atlanta Business Chronicle*. Beginning in February, Georgia Waste Systems, Inc. will pick up the Authority's garbage for an annual fee of $1.07 million, 40 percent less than the City of Atlanta currently charges.

Most local governments in Georgia do not utilize private-sector waste collectors despite the possible cost savings. Actual savings from privatizing garbage pickup can be as much as 51 percent when compared with government-provided services. Currently, less than 10 percent of all cities in Georgia and less than 40 percent of all counties use private-sector waste collectors.

Although contracting directly with private vendors can yield significant savings, local governments can save even more by forcing private and public garbage collectors to compete with each other. Massachusetts Governor William Weld often states, "[Privatization] is not public vs. private. The issue is monopoly vs. competition." (Weld has used privatization to cut spending by more than $273 million in Massachusetts.)

Cities across the United States have taken varied approaches to competitive contracting of waste collection:

- Phoenix is divided into a number of separate waste-collection districts. The Public Works Department bids against the private sector to provide service in each district. To ensure that the city will always have some in-house service provision, private collectors can never serve more than 50 percent of all districts.
- Boston is divided into 11 waste-collection districts, with private haulers bidding to provide residential collection service. To avoid a monopoly, Boston restricts the number of districts that can be served by a single garbage collector.
- Brownsville, Texas uses only one contractor, the method widely used among many small and mid-sized U.S. cities. Brownsville, which privatized its waste collection service in 1986, contracts with a single vendor for all residential collection. To ensure competition, the contract is re-bid every five years.

Don't Stop with Trash

Waste collection is only one example of the many government-provided services that could benefit from competition. Almost every service provided by local governments, from street cleaning to the operation of water and sewage plants, is a candidate for privatization. Opening these services to competition, or privatizing them outright, should free enough revenue to prevent further property tax increases. Perhaps even a few local governments would be able to reduce taxes.

Even big-city politicians, traditionally averse to privatization, have been convinced of its effectiveness. In Chicago, Mayor Richard Daley says privatization is "a way to accomplish three important goals: save money, improve services, and give the public greater control over the process of governing. And former New York Governor Mario Cuomo agrees. "It is not government's obligation to provide services, but to see that they're provided," he says.

The State of Georgia has finally joined the privatization movement. Last year the state privatized its vehicle maintenance, computer programming, and printing services, saving taxpayers more than $1.6 million annually. More privatization is sure to follow. Prison privatization is one option that might make housing the growing number of inmates in Georgia significantly more affordable.

Good services, low taxes and limited government are the keys to future economic growth. Privatization is the best way to get there.

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months. *What we need:* A moratorium on new regulations. That would "give both the Administration and Congress time to rethink current regulations and enact reforms to ease the impact of future rules." Susan M. Eckerly, "Time for a Moratorium on New Regulations," *Backgrounder*, January 27, 1995, The Heritage Foundation.

Too Many Government Regulations. America is in need of regulatory reform. Fact: A Kansas City bank was ordered by regulators to put a Braille keypad on a *drive-through* ATM. "Government decisionmakers overlook an important fact when adopting new or expanded regulatory requirements: government intervention often does more harm than good. Policymakers should not ignore the tremendous ability of individuals and private organizations to deal with the shortcomings that inevitably arise in a modern economy." Murray Weidenbaum and Melinda Warren, "It's Time to Cut Government Regulations," *Occasional Paper* 147, January 1995, Center for the Study of American Business.

taxes

Flat Tax Means Savings. U.S. House Majority Leader Richard Armey (R-Texas) has proposed replacing the income tax with a flat tax of 17 percent. According to the Tax Foundation, such a proposal would reduce the average taxpayer's federal tax burden by $1,000. *Tax Features*, December 1994-January 1995, Tax Foundation.

> President Clinton's budget amounts to $1.6 trillion. How much money is that? "The newspaper tabloids report that O.J. Simpson is paying some $55,000 a day in legal fees. The trial would have to last 26 million days, or almost 100,000 years, before the lawyers earned $1.6 trillion." **Stephen Moore, "If You Bought 2 Trillion Copies of This Paper . . ." *The Wall Street Journal*, February 6, 1995.**

Making Michigan Safe for Investors. Michigan's intangibles tax is levied on the ownership of "intangible" property such as stocks, bonds, or land contracts. Eliminating that tax "would free up as much as $115 million in capital for investment—the amount the state was expected to collect from the tax in 1994. Facing a budget surplus of at least $300 million in the current fiscal year, Michigan could more easily afford to forego [the tax] than hard-working, risk-taking private citizens could afford to pay it." George Nastas, "Making Michigan Safe for Investors," *Viewpoint*, January 9, 1995, Mackinac Center for Public Policy.

> From 1980 through 1993, employment in states without personal income taxes increased more than twice as much as in states with personal income taxes—37.6 percent versus 16.8 percent. **Raymond J. Keating, "The State Tax-Cut Revolt," Investor's Business Daily, October 23, 1994.**

National Sales Tax a Bad Idea. Some legislators have proposed replacing the income tax with a national sales tax. But sales taxes are hidden taxes, and although taxpayers will have a vague sense of when their taxes are increased, they will not know exactly by how much. *Better tax reform alternative:* A 17 percent flat tax, such as the one proposed by House Majority Leader Richard Armey. Grover G. Norquist, "National Sales Tax Will Mean Big Government," *Insight on the News*, February 6, 1995.

> Many married couples pay more taxes than they would if they were unmarried. For example, a married couple with two children in which each adult earns $10,000 faces a "marriage penalty" of $3,717. **National Center for Policy Analysis, January 1995.**

Raising the Social Security Earnings Limit. Did you know that workers ages 62 to 64 in the 28 percent income tax bracket can face a marginal tax rate of as high as 103.5 percent? Current tax policies, such as a limit on the amount that seniors can earn without penalty, encourage the elderly to leave the workforce earlier than they would otherwise. Lifting or eliminating the earnings limit for retired workers makes good economic sense. John C. Goodman, "Raising the Earnings Limit," *Brief Analysis*, January 31, 1995, National Center for Policy Analysis. ***PolicyFax #8036101***

telecommunications

Deregulating Telecommunications. Despite billions of dollars of subsidies, approximately 6 percent of American households still did not have telephone service at the end of 1993. At the same time, unsubsidized free-market competition has enabled the price of television sets to fall so low that 98 percent of all Americans have a set in their homes. "The path to telecommunications freedom cannot be paved with burdensome, top-down regulations and mandates. Free entry and open access are the only standards upon which a prosperous future can be based." Adam D. Thierer, "A Policy Maker's Guide to Deregulating Telecommunications, Part 1: The Open Access Solution," *Heritage Talking Points*, December 13, 1994, The Heritage Foundation.

Government Can't Keep Up with Technology. "The nation needs a new vision of telecommunications policy because technological change in digital technologies is too fast for any government bureaucracy to adapt to or control, and this innovative industry functions best when left to its own devices." Peter K. Pitsch and David C. Murray, "A New Vision for Digital Telecommunications," *Hudson Briefing Paper*, December 1994, Hudson Institute.

Taxpayers Who Subsidize Privately Held Telephone Companies. Telecommunications regulations and subsidy programs—set up to ensure universal telecommunications service—impose costs of some $17.5 billion per year on consumers. For example, the privately held telephone company serving the affluent community of Bretton Woods, New Hampshire received $22,153 from the Federal Communications Commission in 1994—a subsidy of $82 per telephone subscriber. Wayne Leighton, "Telecommunications Subsidies: Reach Out and Fund Someone (Whether You Want to or Not)," *Issues and Answers*, January 5, 1995, Citizens for a Sound Economy Foundation.

trade

In Defense of Trade Deficits. Governments and

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pundits alike fear the thought of a U.S. trade deficit—importing more than we export. But imports create jobs too, and protectionist policies that attempt to maintain a "favorable" balance of trade do much more harm than good. Virtually every dollar of U.S. import barriers results in a corresponding loss to the economy. Bryan Riley, "Incomplete Government Statistics Fuel Protectionism," *Trade Impact Statement*, February 14, 1995, Citizens for a Sound Economy Foundation.

welfare

A New "War" on Poverty. Since 1964 the federal government has spent $5.3 trillion on eradicating poverty, the primary result of which has been to create a permanent underclass that did not exist before. *A better solution:* Provide Americans a dollar-for-dollar tax credit for individual contributions to health, education, and welfare programs operated either by state or local governments or by private sector charities. Such an approach would increase the amount of money available to non-federal public assistance programs, as well as reintroduce the concepts of local control and voluntarism into the welfare debate. Pete Du Pont and Jeffrey Eisenach, "Poor Substitute," *National Review*, December 31, 1994.

Can Welfare Be Saved? Will welfare reform solve the problem of poverty? Or is it too late for mere tinkering with the system to work? "The present welfare system has produced such disastrous consequences that it's hard to imagine how a radical overhaul could do worse. If we nurture the spirit of self-help and the idea of neighbor helping neighbor, we might end up spending less for success than government spends now for failure." Lawrence W. Reed, "Welfare Reform: Have We Gone Far Enough?", *Viewpoint*, January 9, 1995, Mackinac Center for Public Policy.

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Ending Welfare as We Know It. What was once a conservative argument—that welfare creates dependency—has become common wisdom, and reforming the U.S. welfare system is now a bipartisan priority. The key to "ending welfare as we know it" may be in the states and localities: while national leaders continue to disagree on the best approach, the states can try innovative ideas that may work better than what we now have. "Ending Welfare as We Know It: A Hudson Institute Symposium," *Hudson Briefing Paper*, January 1995, Hudson Institute.

> "Federal, state, and local governments spend about $350 billion per year on 79 means-tested programs aimed at assisting the poor . . . yet today's poverty rate of 15.1 percent is higher than the 14.7 percent rate in 1966 when the War on Poverty began." **National Center for Policy Analysis, January 1995.**
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> ***PolicyFax #9272107***

Fathers Are Important. Fathers are more important in the lives of their children than many of us ever suspected. And for most fathers, work is the most fatherly thing they ever do. Any meaningful welfare reform must recognize—and reduce—the competition that welfare presents to the father's role as "breadwinner." Irving Kristol, "Life without Father," *On the Issues*, American Enterprise Institute.

New Jersey's Welfare Experiment Cuts Illegitimacy. Recent evidence from a carefully monitored New Jersey state experiment shows that limiting the value of welfare benefits can have a dramatic impact in reducing illegitimate births among women on welfare. In the experimental program, a 4 percent reduction in the dollar value of monthly welfare benefits was found to cause a 29 percent decrease in future illegitimate births among women enrolled in the Aid to Families with Dependent Children (AFDC) program. Robert Rector, "New Jersey Experiment Sharply Cuts Illegitimate Births among Welfare Mothers," *F.Y.I.*, February 9, 1995, The Heritage Foundation.

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The Way to Reform Welfare. Since President Johnson began the War on Poverty, America has spent more than $5 trillion on welfare programs excluding Social Security and Medicare. *A four-step solution to America's welfare crisis:* 1) control the growth of welfare spending; 2) address the core welfare problem, illegitimacy; 3) implement sensible workfare programs; and 4) encourage values. Robert Rector, "Reforming Welfare," December 1994, Center for the American Experiment.

Welfare Reform: View from the Middle Class. A poll of middle class Americans reveals some surprising data about how Americans think welfare should be reformed. For example, 82 percent of those surveyed believe that state and local governments, not the federal government, are better able to manage welfare programs. Paul G. Merski, "How to Reform Welfare? Just Ask the Middle Class," *Capitol Comment*, January 9, 1995, Citizens for a Sound Economy Foundation.

What to Do about Illegitimacy. Current trends indicate that by the year 2015—and possibly as early as the year 2000—one out of every two American babies will be born to a single mother, and illegitimacy will surpass divorce as the main cause of fatherlessness. No welfare reform package will work if it fails to address that fundamental problem. Jennifer E. Marshall, "Sanctioning Illegitimacy: Our National Character Is at Stake," *Insight*, Family Research Council.

Who Will Step in When Welfare Is Abolished? A cross-section of social service veterans, all in the private sector, muse about the likely effects of cutting welfare benefits. Writes one contributor, Rev. Robert Sirico: "The ultimate goal of private efforts should be to strengthen the sufficiency of poor individuals. Real assistance should look deeper than mere material help." "What Will Happen to the Children?" *Policy Review*, Winter 1995, The Heritage Foundation.

other topics

No to "Pay at the Pump" Auto Insurance. Some experts propose "pay at the pump" (PAP) automobile insurance, in which gas stations would collect an insurance fee based on the amount of gasoline purchased. That would raise gasoline prices by an average of 94 cents per gallon. But contrary to the assertions of PAP proponents, the number of miles driven by a motorist bears no relationship to the number of accidents in which that motorist is involved. Rayola S. Dougher and Thomas F. Hogarty, "Paying for Automobile Insurance at the Pump: A Critical Review," *Research Study #076*, December 1994, American Petroleum Institute, Contact: Jim Craig, 202/682-8120.

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Citizens League, 708 South 3rd Street #500, Minneapolis, MN 55415, 612/338-0791

The Claremont Institute, 250 West First Street #330, Claremont, CA 91711, 909/621-6825, fax 909/626-8724

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Consumer Alert, PO Box 3348, Modesto, CA 95353, 209/524-1738

Consumers Research, Inc., 800 Maryland Avenue NE, Washington, DC 20002, 202/546-1713

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Council for Affordable Health Insurance, 112 South West Street, 4th Floor, Alexandria, VA 22314, 703/836-6200, fax 703/836-6550

Defenders of Property Rights, 6235 33rd Street NW, Washington, DC 20015, 202/686-4197, fax 202/686-0240

The Dumont Institute, 236 Johnson Avenue, Dumont, NJ 07628, 201/387-1456

The Educational Excellence Network, 1112 16th NW #500, Washington, DC 20036, 202/785-2985

Educational Freedom Foundation, 110 East Rose, St. Louis, MO 63119

The Empire Foundation for Policy Research, 130 Washington Avenue #1000, Albany, NY 12210, 518/432-4444

Environmental Education Enterprises, 2764 Sawbury Boulevard, Columbus, OH 43235, 614/792-0005, fax 614/792-0006

Ethan Allen Institute, RFD 1, Concord, VT 05824, 802/695-2555

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Family Research Council, 700 13th Street NW #500, Washington, DC 20005, 202/393-2100

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Gun Owners of America, 8001 Forbes Place, Springfield, VA 22151, 703/321-8585

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Sequoia Institute, 3479 Beaver Ford Court, Woodbridge, VA 22192, 703/590-0496

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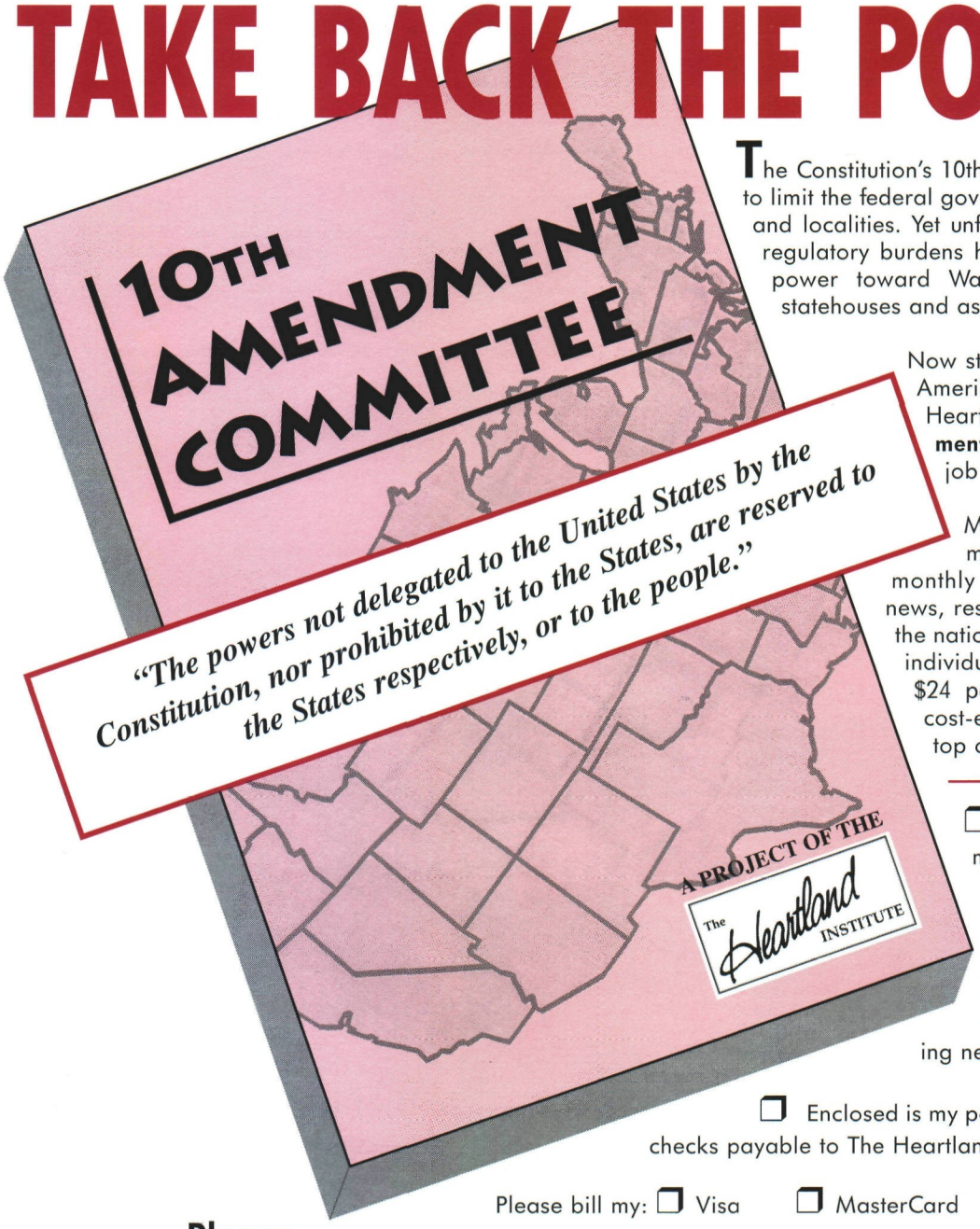
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